

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

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Department of the Treasury

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

B = City
C = High School
D = Corporation
X = Foundation
Y = Scholarship
Z = Scholarship
n = annual expected applications
m = annual awards
p = \$ amount of award

UIL 4945.04-04

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g) (1) of the Internal Revenue Code, dated September 8, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program awarding scholarships called Y and Z

You were formed for the purpose of supporting people and projects, and working to improve the quality of life, in the B area. Consistent with this purpose, the scholarships are intended to provide support to B area natives in their education in the field of engineering.

The purpose of Y and Z shall be to encourage and support educational excellence among students from B in the field of engineering.

You will administer Y and Z as follows:

Charitable Class

The class of potential grantees for Y and Z shall consist of all high school graduates who have either graduated from C in B or were permanent residents of B at the time of their high school graduation, and who have been enrolled in an undergraduate engineering program at an accredited college or university meeting the requirements of Section 170(b) (1) (A) (ii) of the Code for at least one year.

The following individuals shall not be eligible to apply for or receive a grant from the Y or Z programs: (a) any employee of D, as well as any family member of such an individual; (b) any employee of X, as well as any family member of such an individual; (c) any executive, officer, or director of D, as well as any family member of such an individual; (d) any substantial contributor to X, as well as any family member of such an individual; and (e) any otherwise “disqualified person” with respect to X as defined by Section 4946 of the Code, as well as any family member of such an individual.

Criteria for Selection

The primary selection criterion for Y and Z programs shall be an applicant’s past academic performance. Recommendations from instructors, personal qualities, and financial need shall also be considered. You shall consider applicants who have achieved at or above a 3.0 Grade Point Average for one year at an accredited college or university.

Selection Process

Applications from all eligible grantees shall be submitted directly to you throughout the year, either by mail, electronically, or by personal delivery. You will advertise Y and Z in the B community and will make information concerning the grant program available through your website.

The recipients of the Y and Z awards shall be selected by your Board of Directors (“Board”), with the assistance of any officer and/or employee of the Foundation (“Staff”) assigned to assist the Board with the task from time to time. You will evaluate each application based upon a rubric to be designed by you giving the greatest weight to an applicant’s past academic performance, and lesser weight to recommendations from instructors, personal qualities, and the financial need of the applicant. The financial need criterion shall be determined by you based upon review of a financial need assessment and consideration of any other financial aid the applicant expects to receive. Your Board and Staff shall meet to review applications, eliminate applications determined not qualified to receive a scholarship, and rank the applicants. Your Board shall vote to select the recipients and to set the amount of the award for each individual grant. At no time in the application process will you discriminate against any applicant on the basis of race, religion, creed, color, sex, age, physical or mental disabilities, sexual orientation or national origin.

You anticipate receiving *n* applications each year, and anticipate granting *m* awards estimating that the grants may range in amounts of *p* pursuant to this program. The grants shall be awarded under the title of either Y or Z. The number of grants awarded in a given year and the amount of each grant will depend upon the number and quality of applications received, along with the amount of funds available for the grants. All awards shall be granted on a yearly basis and shall consist of a fixed-sum. The amount of each grant shall be applied to cover the cost of the student’s tuition, fees, books, room and board, research, fees and other expenses associated with completing the recipient’s degree. Grants made by you shall be paid at such time as necessary to satisfy the recipient’s tuition and education-related expenses, generally in August or September of each year.

Supervision

All grants awarded by you shall be paid, without exception, to the accredited college or university in which the recipient is enrolled and only in the event that the college or university agrees to supervise the use of the grant. The conditions placed upon the award shall be that: the recipient must be enrolled in an engineering program at the college or university, must maintain

a 3.0 Grade Point Average, and the grant must be used to cover the cost of the student's tuition, fees, books, room and board, research, fees and other expenses associated with completing the recipient's degree. Any unused funds shall be transferred by the educational institution back to you. You will require a yearly report from each college or university for the purpose of confirming the grantee's enrollment and academic performance.

Application information received from all applicants and evaluated by you shall be maintained by you for a minimum of five years beyond the date of application or completion of the grant, whichever is greater. This information shall include the identity of each grantee, information to verify that no grantee is related to a member of the selection committee or a disqualified person in relation to you, copies of award letters, transcripts, annual reports, and any other correspondence between an applicant and you. You will also maintain records of the amount and purpose of each grant awarded.

In the event you learn that a grant has not been used as intended, your Director shall investigate the matter and take corrective action, which may consist of any action up to and including legal action. During the investigation, you will withhold further payments of the grant.

At your discretion, you may renew a grantee's award so long as you are not in receipt of information indicating misuse of the award by the grantee, all required reports concerning the grantee have been received, and the grantee continues to satisfy the conditions of the grant and remains eligible to receive the grant.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b) (1) (A) (ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c) (1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;

- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute “taxable expenditures” within the meaning of section 4945(d) (3).

In addition, we have determined that awards made under your procedures are ‘scholarship or fellowship’ grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b) (2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k) (3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations